GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4300
ANSWERED ON:19.04.2002
INVESTORS PROTECTION FUND
C. KRISHNAN

Will the Minister of FINANCE be pleased to state:

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(a) when was Investor Protection Fund created and what was its purpose;

(b) the details of Investor Protection Fund presently lying with each stock exchanges in the country;

(c) out of these funds, how much funds has been utilized by each stock exchange during the last three years, year-wise;

(d) whether any review of the scheme has been conducted either by SEBI or RBI or by Government in the past;

(e) if so, the details thereof;

(f) whether any steps are being taken to revitalise the Investor Protection Fund to help the share holders who lost by investing inpaper companies which have disappeared from the scene; and (g) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) The Ministry of Finance vide circular no. F14/4/SE/85 datedAugust 22, 1985 had advised all stock exchanges to set up customer protection funds (i.e. investor protection funds) to meet the claims of investors against defaulting brokers. Accordingly, such funds were established by stock exchanges.

Separately, pursuant to the provisions of Section 205C of the Companies Act, 1956, the Central Government has notified the establishment of a Fund called the Investor Education and ProtectionFund with effect from 1.10.2001, to be used for the purpose of promotion of investor awareness and protection of the interests of investors. Rules for operationalising the Fund have also been notified.

(b) The details as furnished by stock exchanges to the Securities and Exchange Board of India (SEBI) are at Annex I.

(c) The details regarding utilization of these funds are at Annex II.

(d) & (e) In January 1996, SEBI issued a circular whereby the amountof compensation available against a single claim of an investor arising out of default by a member broker of a stock exchange was increased to Rs. 1 lakh in case of major stock exchanges, Rs. 25,000/- in case of smaller stock exchanges viz. Gauhati, Bhubaneshwar, Magadh & Madhya Pradesh and to Rs. 50,000/- in case of other stock exchanges. National Stock Exchange has raised thelimit to Rs. 5 lakhs and Bombay Stock Exchange has raised it to Rs. 10 lakhs.

(f) & (g) The Investor Education and Protection Fund set up by theCentral Government has been in existence only for about six months. As mentioned above, the Fund shall be utilised for promotion ofinvestors` awareness and protection of the interests of investors.

Annex I referred to in part (b) of the reply to Lok Sabha Unstarred Question No. 4300 regarding Investors Protection Fund by Dr. C. Krishnan for answer on Friday the 19th April 2002

IPF with Stock Exchanges as on 31/12/2001

S.No.	Name of exchange	Corpus of IPF as on v31.12.2001 (figures in crores)
1	BSE	149.84
2	ASE	3.70
3	CSE	7.06
4	MSE	0.21
5	DSE	6.15
6	HSE	1.25
7	MPSE	0.12
8	BGSE	3.09
9	COSE	0.71
10	UPSE	2.99
11	PSE	0.10
12	LSE	0.56
13	GSE	0.19
14	MGSE	0.12
15	MAGADH	0.04
16	JSE	0.15
17	BHSE	0.14
18	SKSE	0.33
19	VSE	0.31
20	OTC	1.66
21	COIMSE	0.43
22	NSE	77.02
23	ISE	0.01
	Total	256.17

Annex II referred to in part (c) of the reply to Lok SabhaUnstarred Question No. 4300 regarding Investors ProtectionFund by Dr. C. Krishnan for answer on Friday the 19th April 2002

Funds Utilised from IPF

S. No.	Name of exchange	Amount disbursed (figures in crores)		
		1998-99	1999-2000	2000-01
1	BSE	0.97	1.29	1.31
2	ASE	NIL	NIL	NIL
3	CSE	NIL	NIL	NIL
4	MSE	-	-	0.005
5	DSE	NIL	NIL	NIL
6	HSE	0.05	NIL	NIL
7	MPSE	-	-	NIL
8	BGSE	NIL	NIL	0.03
9	COSE	-	-	NIL
10	UPSE	0.02	0.06	0.16
11	PSE	0.00	0.00	0.04
12	LSE	NIL	0.01	-
13	GSE	-	-	NIL
14	MGSE	-	-	NIL
15	MAGADH	-	-	NIL
16	JSE	NIL	NIL	NIL
17	BHSE	-	-	NIL
18	SKSE	NIL	NIL	NIL
19	VSE	NIL	NIL	NIL
20	OTC	NIL	NIL	NIL
21	COIMSE	NIL	NIL	NIL
22	NSE	NIL	0.06	0.31
23	ISE	-	-	NIL

Total	1.04	1.42	1.86